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APPENDIX.

THE MADRAS CHIT FUNDS BILL, 1960 (L.A. BILL No. 5 OF 1960), AS AMENDED BY THE JOINT SELECT COMMITTEE.

[*Note.*—**The changes made are sidelined or underlined and the portions omitted are indicated by dots.**]

A Bill to provide for the regulation of chit funds in the State of Madras.

WHEREAS it is expedient to provide for the regulation of chit funds in the State of Madras:

BE it enacted in the Eleventh Year of the Republic of India as follows:—

CHAPTER I.

PRELIMINARY.

1. *Short title, extent and commencement.*—(1) This Act may be called the Madras Chit Funds Act, 1960.

(2) It extends to the whole of the State of Madras.

(3) It shall come into force on such date as the Government may, by notification, appoint, and different dates may be appointed for different areas and for different provisions of this Act.

2. *Definitions.*—In this Act, unless the context otherwise requires,—

(1) "approved bank" means a bank approved by the Government;

(2) "chit" means a transaction whether called chit fund, chit, kuri, or, by any other name, by which its foreman enters into an agreement with a number of subscribers that every one of them shall subscribe a certain sum or a certain quantity of grain by instalments for a definite period and that each subscriber in his turn as determined by lot or by auction or by tender or in such other manner as may be provided for in the agreement, shall be entitled to a prize amount;

Explanation.—A transaction is not a chit within the meaning of this clause, if in such transaction—

(*a*) some alone, but not all, of the subscribers get the prize amount without any liability to pay future subscriptions; or

(*b*) all the subscribers get the whole of the chit amount by turns with a liability to pay future subscriptions.

Illustration.—There are 100 subscribers to a chit and the subscription by each of them is Rs. 10. All the subscribers get by turns Rs. 1,000, being the whole of the chit amount and are liable to pay future subscriptions. The transaction falls within clause (*b*) of the above Explanation and is not a chit;

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(3) " chit agreement " means a document containing the articles of agreement between the foreman and the subscribers relating to the chit;

(4) "chit amount " means the sum total of the subscriptions payable by all the subscribers for any instalment of a chit without any deduction for discount or otherwise;

(5) " defaulting subscriber " means a subscriber who has defaulted in the payment of subscriptions due according to the terms of the chit agreement;

(6) " discount " means the sum or the quantity of grain, which a prized subscriber has under the terms of the chit agreement to forego and which is set apart under the said agreement to meet the expenses of running the chit or for distribution among the subscribers or for both;

(7) " dividend " means the share of a subscriber in the discount available under the chit agreement for rateable distribution among the subscribers at each instalment of the chit;

(8) " drawing " means ascertaining of the person or persons entitled to the prize amount at any instalment of a chit;

(9) " firm " means a firm registered under the Indian Partnership Act, 1932 (Central Act IX of 1932);

(10) " foreman " means the person who under the chit agreement is responsible for the conduct of the chit and includes any other person discharging the functions of the foreman under section 30 :

Provided that no firm shall be a foreman unless such firm is registered under the Indian Partnership Act, 1932 (Central Act IX of 1932);

(11) " Government " means the State Government;

(12) " non-prized subscriber " does not include a subscriber who has defaulted in the payment of subscriptions due according to the terms of the chit agreement;

(13) " prize amount " means the difference between the chit amount and the discount, and, in the case of a fraction of a ticket, means the difference between the chit amount and the discount proportionate to the fraction of the ticket; and when the prize amount is payable otherwise than in cash, the value of the prize amount shall be the value at the time it becomes payable;

(14) " prized subscriber " means a subscriber who has either received or is entitled to the prize amount;

(15) " Registrar " means a Registrar appointed under subsection (1) of section 51;

(16) " subscriber " includes a person who holds a fraction of a ticket and also a transferee of a ticket or a fraction thereof by assignment in writing or by operation of law;

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(17) " ticket " means the share of a subscriber in a chit.

CHAPTER II.

Constitution and registration.

3. *Registration of by-laws.*—(1) Save as otherwise provided in this Act, no person shall start or conduct any chit unless he has registered with the Registrar the proposed by-laws of the chit.

(2) For the purpose of registration, there shall be filed with the Registrar the by-laws of the chit in duplicate signed by the foreman and attested by at least two witnesses.

(3) The Registrar, on being satisfied that the by-laws are not contrary to this Act or to the rules made thereunder, shall issue to the foreman a certificate of registration and such certificate shall be conclusive evidence that the by-laws of the chit therein mentioned are duly registered.

(4) The Registrar shall retain the by-laws of the chit and return the duplicate of the by-laws to the foreman with an endorsement that the by-laws have been registered.

4. *Prohibition of invitation for subscription to chit of which by-laws have not been registered.*—No person shall issue or publish any notice, circular, prospectus or other document containing the terms and conditions of any chit or inviting the public to subscribe for tickets in any chit unless such notice, circular, prospectus or other document relates to a chit the by-laws of which have been registered.

5. *Form of chit agreement.*—Every chit agreement shall be in duplicate and shall be signed by each of the subscribers or by persons authorised in that behalf in writing by the subscribers, and the foreman and attested by at least two witnesses, and it shall contain the following particulars, namely :—

(1) The full name and the permanent residential address of every subscriber;

(2) the tickets held by each subscriber;

(3) the number of instalments and the amount payable in respect of each ticket for each instalment;

(4) the dates of commencement and termination of the chit;

(5) the mode of ascertaining the prized subscriber;

(6) the amount of discount which the prized subscriber at any instalment has to forego;

(7) the mode and proportion in which the discount is distributable by way of dividend, foreman's commission and other expenses, if any;

(8) the date, time and place at which the chit is to be drawn;

(9) the instalment at which the foreman is to get the prize;